



DECISION

Decision of February 21, 2018

DATE:

02/21/2018

ORGANIZATION:

Division of Banks

REFERENCED SOURCES:

[Massachusetts General Laws chapter 167I, section 3](#)[Massachusetts General Laws chapter 167A](#)**Petitioner:** Brookline Bank**Respondent:** Division of Banks

Decision relative to the merger of First Commons Bank, N.A., Newton Centre, Massachusetts with and into Brookline Bank, Brookline, Massachusetts

Brookline Bank, Brookline, Massachusetts has applied to the Division of Banks ("Division") for approval to merge with First Commons Bank, N.A. ("First Commons"), Newton Centre, Massachusetts pursuant to

the provisions of Massachusetts General Laws chapter 167I, section 3. Under the terms of an Agreement and Plan of Merger (“Merger Agreement”) dated as of September 20, 2017, First Commons will merge with and into Brookline Bank (“Merger”) under the charter, by-laws, and name of Brookline Bank (“Continuing Institution”). The main office of Brookline Bank will remain the main office of the Continuing Institution after consummation of the proposed merger. The merger application was filed in connection with a multi-step transaction in which Brookline Bancorp, Inc. (“Brookline Bancorp”), Brookline Bank’s bank holding company, will acquire First Commons pursuant to Massachusetts General Laws chapter 167A, section 2 simultaneously with the Merger.

Legal and Procedural Requirements

Notice of Brookline Bank’s application was posted and published as directed by the Division thereby affording opportunity for interested parties to submit comments. The period for filing comments has expired and no comments were received. The Division reviewed the application and supplementary materials submitted by Brookline Bank in accordance with applicable law, including the statutory criteria of whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage, as well as “net new benefits,” will be promoted by approval of the proposed transaction. The Division also considered both banks’ records of performance under the Community Reinvestment Act (“CRA”) as well as financial and managerial factors.

Pursuant to Massachusetts General Laws chapter 167A, section 3, because Brookline Bancorp will acquire First Commons simultaneously with the Merger and such merger requires the approval of the Commissioner of Banks, an application to the Commonwealth’s Board of Bank Incorporation was not required to complete this transaction. However, in reviewing the proposed transaction, the Division must receive notice from the Massachusetts Housing Partnership Fund (“MHPF”) that satisfactory arrangements have been made consistent with Massachusetts General Laws chapter 167A, section 4 and the MHPF’s affordable housing loan programs. The Division received notice from the MHPF that satisfactory arrangements have been made for this transaction in a letter dated December 20, 2017. In addition, the Depositors Insurance Fund confirmed by letter dated December 8, 2017, that satisfactory arrangements have been made relative to providing excess deposit insurance for the deposits of the Continuing Institution.

The Parties

Brookline Bank is a Massachusetts-chartered stock savings bank and is one of three banking subsidiaries held by Brookline Bancorp. The other banking subsidiaries held by Brookline Bancorp include First Ipswich Bank and Bank Rhode Island. In addition to its main office in Brookline, Massachusetts, Brookline Bank operates 24 full-service branch offices in eastern Massachusetts. As of December 31, 2017, Brookline Bank had consolidated assets of approximately \$4.2 billion and total deposits of

approximately \$2.9 billion. Brookline Bank offers a full range of personal, business, and commercial products and services, including consumer and residential lending, as well as cash management and investment services. Brookline Bank's deposits are insured up to allowable limits by the Federal Deposit Insurance Corporation ("FDIC"), and amounts in excess of FDIC insurance limits are insured by the Depositors Insurance Fund, a private, industry-sponsored insurance fund.

First Commons is a national bank with its main office located in Newton Centre, Massachusetts. First Commons also operates one branch office in Wellesley, Massachusetts. As of December 31, 2017, First Commons had consolidated assets of approximately \$324.8 million and total deposits of approximately \$282.8 million. First Commons offers a range of personal and business deposit and lending products and services. The deposits of First Commons are insured up to allowable limits by the FDIC.

Competition

Materials have been submitted to address the issue that competition among banks will not be unreasonably affected by the proposed transaction. In analyzing the impact of a proposed transaction on banking competition, the Division considers, but does not rely exclusively upon, the guidelines used by the federal banking regulators to review bank mergers. Essentially, these guidelines define relevant markets and measure concentration, which is considered an important indicator of competitiveness. The starting point in the federal analysis is the Herfindahl-Hirschman Index ("HHI"), an arithmetic measure of market concentration that synthesizes the distribution of market shares and the number of banks in the affected market into a single value. In this case, the HHI analysis demonstrates that consummation of the transaction will not result in an undue concentration of banking resources. According to the FDIC's Summary of Deposits as of June 30, 2017, Brookline Bank had the 13th largest market share and First Commons had the 37th largest market share of deposits in Middlesex County. As of the same date, Brookline Bank had the 6th largest market share and First Commons had the 41st largest market share of deposits in Norfolk County. For this transaction, the HHI calculations do not indicate that the Merger would have a significant adverse effect on competition because the relevant banking markets would continue to be considered competitive marketplaces following the Merger. In addition to that analysis, the Division considers the competitive impact of the proposed transaction on a community-by-community basis, as well as on the overall banking structure of the Commonwealth. Although there is geographic overlap in the communities served by Brookline Bank and First Commons, the significant presence of other banks, credit unions, and non-depository lenders in the relevant markets is a further indication that the proposed transaction will not result in an undue concentration of banking resources in the communities to be served by the Continuing Institution. Accordingly, the Division's analysis of the competitive impact of this transaction does not raise concerns that would preclude its approval.

Public Convenience and Advantage

In reviewing the application, the Division must determine whether public convenience and advantage will be promoted by the proposed transaction. Brookline Bank provided information to illustrate that the banking public will benefit as a result of the Merger. The application materials indicate that the customers of First Commons will gain access to the larger portfolio of products and services offered by Brookline Bank, including, but not limited to, a broader branch office network, additional technology-enabled services, a significantly higher legal lending limit, and expanded commercial lending and cash management services. First Commons' customers will also gain access to the excess deposit insurance provided by the Depositors Insurance Fund.

In determining whether to approve a proposed merger, the Division is required to consider a showing of "net new benefits" related to the transaction. That term, as set forth in Massachusetts General Laws chapter 167I, section 3, includes initial capital investments, job creation plans, consumer and business services, commitments to maintain and open branch offices, and such other factors that the Division may deem necessary. The Continuing Institution plans to make capital investments to convert First Commons' core processing, cash management, and loan origination systems to Brookline Bank's corresponding platforms. With regard to employment, Brookline Bank anticipates that the consolidation of operations and integration of banking functions will cause the elimination of some First Commons positions. However, Brookline Bank anticipates that the combined banks will produce a stronger, more competitive institution that will be able to create additional jobs in the future to offset the initial job losses attributable to the consolidation of operations resulting from the Merger.

Brookline Bank has stated that, should the proposed transaction receive approval, the Continuing Institution intends to petition the Division for approval to close both of First Commons' existing offices in Newton Centre and Wellesley. Brookline Bank currently operates five branch offices in these two communities, with three branches located in Newton and two branches in Wellesley. Brookline Bank's Newton Centre branch office is approximately 0.2 miles away from First Commons' main office in Newton Centre. Similarly, Brookline Bank's Wellesley location at 448 Washington Street is approximately 0.5 miles away from First Commons' Wellesley branch office. In addition to Newton and Wellesley, First Commons' primary service area also includes the communities of Needham and Waltham. The Division notes that Brookline Bank also has existing branch offices in both of these additional communities. As referenced above, in addition to expanded access to the consumer and commercial products and services to be offered by the Continuing Institution, First Commons' customers will also gain access to the broader 25 location, banking office network operated by Brookline Bank as well as use of the ATM locations of Brookline Bancorp's other subsidiary banking institutions, First Ipswich and Bank Rhode Island. The Division considered the above reasons and others presented in the submitted documents in determining that public convenience and advantage will be promoted by an approval of this transaction.

Related to the issue of public convenience and advantage is the record of CRA performance by the banks that are parties to this transaction. Such review for Massachusetts-chartered banks includes examination by personnel of the Division. A publicly available descriptive rating and evaluation by a federal bank regulatory agency may also be considered. Brookline Bank received a “Satisfactory” rating in its most recent CRA performance evaluation conducted by the Division as of March 23, 2015. First Commons also received a “Satisfactory” rating in its most recent CRA performance evaluation conducted by the Office of the Comptroller of the Currency as of May 29, 2012. The Division’s consideration of the CRA performances of Brookline Bank and First Commons, respectively, also supports the approval of the proposed merger.

Financial and Managerial Considerations

The Division also considered the financial and managerial aspects of the proposed transaction. At the effective time of the proposed transaction, each share of First Commons issued and outstanding common stock will be converted into the right to receive a number of shares of Brookline Bancorp common stock, plus cash in lieu of any fractional share, in accordance with the negotiated exchange ratio. No financing will be necessary to pay for the acquisition of First Commons. Materials provided indicate that upon consummation of the transaction, the Continuing Institution will meet all regulatory capital requirements.

According to the application materials, the board of directors and senior executive officers of the Continuing Institution will be comprised of the same individuals currently serving as the directors and senior executive officers of Brookline Bank. Accordingly, upon review, the financial and managerial considerations support approval of the application.

Conclusion

Upon review of the complete record of the application with reference to the relevant statutory and regulatory requirements, the Division concludes that all such requirements have been met, and that consummation of the proposed transaction is in the public interest. On the basis of these considerations, and subject to the conditions set forth below, approval is granted for First Commons to merge with and into Brookline Bank under the charter, by-laws, and name of Brookline Bank pursuant to section 3 of chapter 167I of the General Laws. Approval is also granted for the Continuing Institution to maintain the main office and branch office of First Commons as branch offices of the Continuing Institution, noting that the Continuing Institution intends to petition the Division for approval to close both of the offices following the consummation of the Merger.

The approval granted herein is subject to the following conditions:

1. That the proposed merger shall not become effective until a Certificate signed by the Presidents and Clerks, or other duly authorized officers of each bank, indicating that each institution has complied with the provisions of Massachusetts General Laws chapter 167I, section 3 has been returned with my endorsement thereon;
2. That the proposed merger shall not become effective unless the Articles of Merger with my endorsement thereon are filed with the Secretary of State; and
3. That the proposed merger shall be consummated within one year of the date of this Decision.

Terence A. McGinnis

Commissioner of Banks

February 21, 2018